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The Province of Alberta

IN THE MATTER OF THE PUBLIC INQUIRIES ACT

AND IN THE MATTER OF O/C 290/73, AN INQUIRY
INTO THE NEW TOWN OF GRANDE CACHE

N. R. CRUMP, Esq.,	Chief Commissioner
T. H. PATCHING, Esq.,	Commissioner
DAVID GRAHAM, Esq.,	Commissioner

W. A. Stevenson, Esq.,	Commission Counsel
D. O. Sabey, Esq., Q.C., and J. G. Martland, Esq.,	For McIntyre Porcupine Mines Ltd.
Lorne Ingle, Esq.,	For United Steelworkers of America.

DATE: September 26, 1973

HELD AT: Edmonton, Alberta.

VOLUME XII

(Pages 1194 - 1294)

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Supreme Court Reporters

EDMONTON, ALBERTA

1194

1-JH-1
C. Richardson - Crump Ex.

I N D E X

PROCEEDINGS OF THE Board of
Commissioners, of the Law Courts,
City of Edmonton, Province of
Alberta, commencing at 9:30 a.m.,
Wednesday, September 26, 1973, A.D. 1973.

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C. Richardson - Crump Ex.

PROCEEDINGS before THE Board of Commissioners, at the Law Courts, City of Edmonton, Province of Alberta, commencing at 9:38 a.m., Wednesday, September 26th, A.D. 1973.

C. RICHARDSON, recalled under his former oath, examined by Mr.

Crump:

MR. CRUMP:

Mr. Stevenson, last night I indi-

cated that we might have some questions from the Commissioners before you had your re-examination, after we had had an opportunity to read the transcript. I read the transcript carefully last night, but I think the questions that arise there we can get from other witnesses.

However, in view of some of the newscasts that have taken place this morning, Mr. Richardson, I would like to just ask your opinion on a statement that seems self-evident to me, but apparently is not to many others: In the Japan Commerce Daily published in Tokyo, and I put this -- this is merely a matter of opinion, and I put it to you, because you have spent time in Tokyo with the Japanese in negotiations.

A Yes.

Q The Commerce Daily published a series of two articles, Friday, May the 4th, and Monday, May the 7th, which are very interesting articles, primarily because of the radically changing situation abroad for coking coal supply. The articles examine the Japanese situation, of course, from the

Q (continued) Japanese viewpoint. First, from the changing situations overseas, part one, and the industry's coal purchase policies, part two. And in part two there is a short statement here, and I quote:

"Purchase prices are based on prevailing market prices in the case of imports from the US, and production costs in the case of Australia and Canada," unquote. And I have inserted here "and predicted production costs", what would you think of that statement, would you think that that is a fair statement of fact?

A Purchase prices originally in the original contract, of course, I wasn't a party of this original contract, but I feel that the price negotiated in the original contract was a projected -- of course, it had to be a projected mining cost, because there was no experience. This prevailed, of course, and carried through throughout the years until we were successful in changing our contract from a 15-year contract to a short-term contract, and adjusting the price on a yearly basis.

Q Well, I think perhaps that is true, but generally it would seem that the production, or the predicted production costs are used in negotiations in Canada, and of course the market prices in the United States, because they are alternative sources for sale.

A That's right, that is why we desire to diversify our market.

MR. CRUMP:

Thank you. Mr. Stevenson, have you any re-examination?

1-JH-3

C. Richardson - Stevenson Ex.

MR. STEVENSON:

Yes, Mr. Chairman.

MR. STEVENSON EXAMINES THE WITNESS: ✓

Q Mr. Richardson, I asked you about the renegotiations, and whether or not in the renegotiations for a shorter contract any consideration was given to the fact or the possibility that much of the Town's development was predicated on a 15-year contract, and I think your indication was that you couldn't say that that was the case. Now, in that context was Smoky River investments under your responsibility when you were President of McIntyre Coal?

1-SS-1

C. Richardson - Stevenson Ex.

A Yes.

Q And was the arrangement with the miners with respect to the buy back of houses and the like and the interest free loan provisions, the various kinds of provisions made, made over fifteen year periods?

A Originally they were.

Q And you knew that?

A Yes.

Q And did you have that situation in mind when the renegotiation to a shorter term contract was considered?

A No, not really.

Q Now I wasn't clear, Mr. Richardson, on how many times you visited Japan in 1972-73 to conduct negotiations with the Japanese?

A Five times.

Q And when were those trips, approximately?

A April.

Q All right, what was discussed in April?

A Well, we discussed the fifteen year mining plan that I talked about yesterday.

Q Not the six year plan then?

A No, the fifteen year plan.

Q And that fifteen year was based on which operations?

A No. 2, 5, 8, Reiff Terrace, 1, 3 and 14.

Q All right, then you went over again when next?

A In June.

Q Yes, and what was discussed at that time?

1-SS-2

C. Richardson - Stevenson Ex.

A In June we presented a No. 9 plan, plan of mining No. 9 mine.

Q That was for the additional contract?

A Yes, for the additional contract.

Q Any discussion about the fifteen year contract at that point?

A Not, that wasn't the prime reason we went over.

Q The next visit?

A In September.

Q Yes, and what was the purpose of that discussion?

A In September we began our efforts to go to a six year mining plan.

Q Was there any discussion of a revision of the contract at that point?

A Of what?

Q Of a revision of the contract at that point?

A No.

Q All right then, then did you go - when was the next time?

A December.

Q And what was the discussion then?

A Again we presented a six year plan and attempted to have an increase in our price.

Q Was there any discussion then about shortening the term of the contract?

A No.

Q Had it occurred to you then that this would be an advisable course of action?

A Well, this was always in our thoughts.

Q But it hadn't been presented to the Japanese at that point?

1-SS-3

C. Richardson - Stevenson Ex.

A No.

Q Was the first time it was presented then in the March meeting?

A Yes, March and April meetings.

Q So the fifth time was March and April?

A Yes.

Q And who was with you on those negotiations?

A Mr. Fulton and Mr. Anderson.

Q And at that time you proposed reducing the contract term, as it was ultimately done?

A That is correct.

Q And what was the basis you put forward for reducing the contract term then?

A We wanted the opportunity to decrease the shipments of coal to Japan from two million ton to a million and a quarter ton in the next year and this would afford us coal to go out and offer to the other markets in the world.

Q So you were projecting a production of one and a half million of which one and a quarter would be committed to the Japanese market?

A Yes, one and a quarter was committed to the Japanese.

Q What was the Japanese reaction to the six year plan, Mr. Richardson.

A They - we encountered a favourable reaction to this plan.

Q Did that envisage any revision of the contract or was this just a demonstration of how you were going to carry it out in stages?

1-SS-4

C. Richardson - Stevenson Ex.

A It just shortened the demonstration of mining from the full term to the six years, six year portion of the contract.

Q Now at what point was it decided that you were going to use No. 9 for the fifteen year contract or for the long term Japanese contract?

A In the latter half of 1972 we made this decision.

Q Did you have cost information on No. 9 to indicate what price you needed to make No. 9 feasible at that time?

A Not definite cost information, just studies we made internally.

Q Internal studies?

A Yes, we had some internal studies we made.

Q Who was responsible for that?

A Our engineering staff.

Q Anybody in particular?

A Pardon?

Q Anybody in particular?

A I ---

Q --- anybody in particular in your engineering staff?

A No, just the staff that were working. We had, of course originally, we had a study which was done by Mannix which referred, related to the large operation of No. 9, the full scale operation which would have been the second contract.

Q Was the closure of No. 5 in any way conditioned upon your, the information you had in relation to No. 9?

A No.

Q Now when you went to Japan in March and April, did you go

1-SS-5

C. Richardson - Stevenson Ex..

Q (continued) with the intention of trying to reduce the contract to something in the order of two years?

A Yes.

Q Were you - had you then entered into any discussions with the Canadian National with relation to their fifteen year contract?

A No.

Q You were aware of that responsibility?

A Oh, of course.

Q And the short fall provisions of that contract?

A Yes, we were aware of the short fall provisions of the contract.

MR. STEVENSON: That is all, thank you.

MR. CRUMP: Well thank you, I think that is all,

Mr. Richardson, and than you for coming, you may step down.

A You are welcome.

MR. SABEY: Mr. Chairman, may I rise, may these witnesses be excused as they are dismissed? They do have other pressing matters and if the Board needs to call them back some other time?

MR. CRUMP: We will be glad to do that, Mr. Sabey.

MR. SABEY: Thank you, Mr. Chairman.
(Witness retires.)

MR. CRUMP: Mr. Stevenson, would you call your next witness please?

MR. STEVENSON: Mr. Johnson please.

ELMER PHILLIPS JOHNSON, sworn, examined by Mr. Stevenson:

Q Mr. Johnson, you are presently the mine manager for McIntyre Porcupine with respect to its operations in the Grande Cache area, is that correct?

A Yes sir.

Q And I take it that you are responsible for all of the mining operation there on behalf of the company?

A Yes sir.

Q And how long have you held that position, Mr. Johnson?

A Since March 17, '73.

Q Would you indicate to the Commission your background experience in mining?

A Well, I started in the coal mines when I turned eighteen, in May of 1947. I have been in the mines ever since. I spent two years in the Army and five years at school. During the time I was in school and in the Army, I worked on leaves and on week-ends and so forth.

Q And what phases of underground mining work have you worked in?

A Well, I worked as a labourer for the first four or five years, I started as a driver, horse driver and shuttle car operator, cutting machine helper, loader - operator, miner operator, timberman, roof bolter, just about any job, I have done.

Q And what experience have you had in mine management, how long have you been involved in mine management?

A I started as a face boss in January 1956. I worked as a

1-SS-7

E.P. Johnson - Stevenson Ex.

A (continued) face boss, shift boss, mine foreman, assistant superintendent, superintendent, general superintendent, general manager, and I worked as the chief engineer for ---

Q --- who was your employer immediately before coming to McIntyre Porcupine?

A The North American Coal Corporation.

Q Where at?

A Pennsylvania, prior to coming here.

Q And what production of mine, what size of mine were you managing?

A Well, it was a mine we were opening up, we were getting three to four thousand tons a day.

Q Do you have any professional training, Mr. Johnson?

A I have a Master of Science in Mining Engineer.

Q From where?

A From the University of Utah and I am a registered Professional Engineer in four States.

Q Has all your experience prior to coming to Grande Cache been underground experience?

A Yes sir. .

Q Now when you came to Grande Cache, which underground mines were operating?

A No. 2 mine and the #10 seam in the No. 2 mine area.

Q The No. 2 mine and the #10 seam in the No. 2 area?

A Yes sir.

Q And what was done with the work in #10 since you have been

1-SS-8

E.P. Johnson - Stevenson Ex.

Q (continued) there?

A We advanced in about six hundred feet and then abandoned it temporarily.

Q Why was the decision made to abandon it temporarily?

A We wanted to get into No.11 seam which I feel was a more productive seam and also we wanted to push the tunnel through the mountain to another coal seam. No.10 seam is an expensive seam to operate at the present time.

Q What problems were you encountering in No.10 seam that made it ---

A --- roof problem.

Q I'm sorry?

A Roof.

Q And when you say expensive, do you have in mind a cost per ton, a cost that was too high or a machine shift output that was too low or how did you get to this?

A Well, anytime you have got to set steel cross bars it is too expensive unless you have longwall or something to offset it.

Q And was that the condition you encountered?

A Yes sir.

Q You indicate, do you, that you plan to go back into #10?

AS Very probably, yes sir.

Q Tell me this, is there some general plan now in operation like a six year plan or the fifteen year plan which indicates the progression under which the mines are going to be opened?

A Well, generally it is not cut and dried but generally we plan

1-SS-9

E.P. Johnson - Stevenson Ex.

- A (continued) to pillar the No. 2 mine and develop No. 11 seam. Next summer we will probably develop the Reiff Terrace underground mine and we will also develop the No. 4 seam from the Sheep Creek side and at a later date the No. 9 mine area, there will a number of deep mines available.
- Q You are talking about the prospect of deep mining in No. 9. Would that be after the stripping operations?
- A After, you will have to strip it and then you start to deep mine.
- Q I take it then that moving back into No. 10, the No. 10 seam then some considerable distance away in your figure?
- A I couldn't say for sure at this time. It depends on a lot of things.
- Q The decision to go back into No. 10, what kind of factors would you have to consider?
- A Well, the availability of the other deep mines. For instance, if we didn't have a place to go, we would certainly go back to No. 10 seam. If we had a place to go for cheaper coal, we would take it first.
- Q And your present plans would be to pillar out No. 2?
- A Yes sir.
- Q And you are in the process of bringing that about?
- A Yes sir.
- Q And do you know what the recoverable reserves in No. 2 mine are?
- A In the Smoky side, about two million tons.
- Q That is what you anticipate to be recoverable?

1-SS-10

E.P. Johnson - Stevenson Ex.

A Yes sir.

Q And how, what are your production plans as to how much is going to be taken out per day?

A Well again that would vary, I would say about three thousand ton, that is not cut and dried.

Q Is there a prospect, just to go back for a moment, of putting longwall equipment into the No. 10 seam?

A Yes sir.

Q But you would have to carry on with some further work before you could decide on that?

A Yes sir.

1-GR-1

E.P. Johnson - Stevenson Ex.

Q Now, is the next plan in your order of priorities to go into the Reiff Terrace underground?

A Yes, sir.

Q And what seam is that?

A No. 4 seam.

Q And has any work been done in that regard?

A No, sir. We're getting ready to strip the Reiff Terrace. It will have to be stripped before we deep mine.

Q Is that stripping to be done under contract?

A Yes, sir.

Q And when is it to start?

A It will start in the near future.

Q Being done by Mannix?

A Yes, sir.

Q Do you know what reserves they estimate in the Reiff Terrace strip operation?

A About a quarter of a million tons. Again that's a variable figure.

Q Now the Reiff Terrace underground, I take it you have in place reserve figures?

A About 3 million tons.

Q In place?

A Yes, sir.

Q And have you made any estimation of what your recovery is likely to be like?

A Well, normally about 50 per cent.

Q Are you assuming the conditions there to be much the same as they are in the No. 4 seam of No. 2?

E.P. Johnson - Stevenson Ex.

A Yes, sir.

Q And what are the conditions like in the No. 4 of No. 2, the mine you are now operating?

A Well, the natural conditions are good.

Q Have you been having some problem indicating a requirement for changes in the extent of roof bolting that you're doing?

A No, sir, the roof is good in No. 4 seam.

Q Has the mine inspector asked you to submit a new plan or have you submitted recently a new plan for supporting No. 2?

A Yes, sir.

Q And what gave rise to that?

A We had a fatality in our No. 11 seam about four weeks ago, three weeks ago.

Q And does the instruction extend to the No. 4 seam?

A Yes, sir.

Q And what are you, generally speaking what are you to do under this new arrangement or this new plan?

A Well, generally just closer control over the roof - testing the roof and so forth.

Q Are you to increase the number of roof bolts?

A In No. 11 seam we are, in No. 4 seam about the same.

Q Will this slow your production down or increase your costs?

A Not appreciably, no, sir.

Q What are the conditions like in the No. 11 seam?

A It's one of the best seams of coal I've ever seen.

Q What depth is it, what depth of seam are you looking at?

A You mean cover?

Q Yes.

1-GR-3

E.P. Johnson - Stevenson Ex.

A Well, the No. 4 seam, the maximum cover is about 1800 feet, and 11 seam is 360 feet above that.

Q All right. You're into No. 11 seam now?

A Yes, sir.

Q And that would be in primarily development stage?

A Yes, sir.

Q And is it in the No. 11 seam that you plan to drive through the mountain?

A Yes, sir.

Q Is that the main objective of your operations now?

A As of now it's the main objective, yes sir.

Q And what is the purpose of driving through?

A We want to bring the coal from the Sheep Creek side through the mountain rather than truck it through.

Q Are you aware that that was a plan that had been proposed some considerable time ago?

A Yes, sir.

Q And it had originally been planned to go through No. 2?

A No. 4 seam, yes sir.

Q Yes, I'm sorry, No. 4 seam of No. 2.

A Yes, sir.

Q Do you know why that was abandoned?

A The floor heaving conditions in the No. 4 seam made it impractical to put a belt through for a conveyor, a conveyor system.

Q Now, what are the floor conditions like in the No. 11 seam?

A Well, it's too early to tell for sure but we have a competent floor and a competent roof and I don't think we'll have the

1-GR-4

E.P. Johnson - Stevenson Ex.

A (Continued) heaving problem.

Q And how long do you estimate it will take you to get through?

A About a year.

Q From now?

A Yes, sir.

Q And are you planning the No. 11 operation also so that you may develop it as a mine?

A Yes, sir.

Q And do you know approximately what reserves are estimated?

A About 3 million ton.

Q Three million ton. Recoverable?

A Yes, sir.

Q Raw?

A Yes, sir.

Q And, long tons or short tons?

A Long ton.

Q So you think that you will be through that, through the Sheep Creek side in September October next year?

A Yes, sir.

Q And what shifts are you working in that mine?

A We're working three shifts now on the Smoky side.

Q And how many days a week?

A Five and a third days right now.

Q Three shifts - is that three production shifts?

A Yes, sir.

Q And what production is being produced out of No. 11 now?

A Production is not real good, they're getting about, about

1-GR-5

E.P. Johnson - Stevenson Ex.

A (Continued) 180 ton per shift right now, average.

Q And these are raw figures?

A Raw figures.

Q All right. No. 2, you plan on pillaring back - with how many machines?

A Probably three.

Q How many are in now?

A Five.

Q And what production are you getting now?

A We're getting about 2500 ton.

Q Per day?

A Yes, sir.

Q And do you estimate that that will continue or increase?

A Well, we'd like to get, as I say, about 3000 out of No. 2.

Q Is there one portion of that mine that is still in development stage?

A Yes, sir.

Q No. 1 East?

A 1 East, yes sir.

Q And what is being done there?

A We're developing it and it will be pillared at a later date.

Q What are the conditions like as you are working there?

A The conditions are good. It's a little wet, mushy. but other than that it's in pretty good condition.

Q And what reserves do you estimate there?

A I couldn't tell you now, I haven't figured it.

1-GR-6

E.P. Johnson - Stevenson Ex.

Q What's the condition of the coal?

A The coal is good coal.

Q And what kind of clean recovery are you anticipating in that area?

A You mean tonnage figures?

Q Percentage figures through the pipeline.

A About 50 per cent. Oh, wait - through the pipeline?

Q Yes.

A About 70 per cent through the pipeline.

Q Now, Reiff Terrace, is there also a suggestion that you will use some augering there?

A Yes, sir.

Q What magnitude of augering do you anticipate to be done there?

A Well, we haven't figured that yet.

Q When do you plan to auger it?

A This again I can't tell you. I don't know yet.

Q Who is going to do that?

A We'll do that.

Q That won't be done by Mannix?

A No, sir.

Q Now, the strip operations now, Mannix is in No. 8?

A Yes, sir.

Q And what reserves have they got where they are presently working?

A Well, in the A zone they have coal to last till the end of the year, the West Ridge about a quarter of a million ton, the Reiff Terrace about a quarter of a million, and the Barrett

1-GR-7

E.P. Johnson - Stevenson Ex.

A (Continued) about 1.3 million tons.

Q And that's recoverable raw?

A Yes, sir.

Q And what percentage recovery through the cleaning plant is expected?

A About 60 per cent.

Q Is that true of the rest of No. 8 as well?

A Yes, sir.

Q Has anything been done with respect to the deep mining there or will that have to wait until Mannix is finished and the auger is finished?

A In the Reiff Terrace?

Q Yes.

A That will have to wait until it's been stripped, yes sir

Q And until the auger is finished?

A Not necessarily, no.

Q You'll have to leave --

A Leave a barrier for the deep mine, if we auger.

Q Are you going to be responsible for the augering operation, Mr. Johnson?

A Yes, sir.

Q But you don't yet know what reserves you can expect from that operation?

A No, sir.

Q How much area is anticipated as being available for augering?

A Through the whole property?

Q No, there.

1-GR-8

E.P. Johnson - Stevenson Ex.

A At the Reiff Terrace?

Q Yes.

A Oh, probably a half a mile of outcrop, roughly.

Q And what depth of augering would you anticipate?

A Again it depends on the type of auger we purchase. It could go from 150 to 250 foot depth.

Q But no decision has been made on that?

A No, sir.

Q I understand you've done some test augering?

A Yes, sir.

Q Whereabouts?

A In the No. 4 seam at the Smoky River side.

Q And that's strictly been a testing operation?

A Yes, sir.

Q All right, No. 9. I take it that the stripping operation there is going to be conducted by McIntyre?

A Yes, sir.

Q Under your general supervision?

A Yes, sir.

Q Do you have someone on staff now, experienced in strip mining, to supervise and plan this operation?

A We don't have the man in complete charge yet, no sir, but we have a number of people on staff familiar with it.

Q Has anybody been hired for this purpose?

A No, sir.

Q Now, there's going to be a road go into No. 9?

A Yes, sir.

E.P. Johnson - Stevenson Ex.

Q Is it intended to use that road for coal haulage?

A Yes, sir.

Q Even though you are going through on No. 11 seam as well?

A Well, there are two roads. The road to No. 9 from Sheep Creek will be strictly for haulage, coal haulage. The road from Sheep Creek to the preparation plant will be used for coal haulage until the tunnel is through.

Q And what standard of construction is this whole road to be?

A It will be a 70 foot wide top, with a good sub-base of gravel and a gravel topping.

Q All right. You will have to use the entire road system for hauling until you're through in No. 11?

A Yes, sir.

Q Is it built to standards to take all of the haulage?

A Yes, sir.

Q What will be the saving then by going through in No. 11?

A It will be a saving on truck costs versus belt costs.

Q And is that the main saving you are going to encounter?

A Yes, sir.

Q Have you got an estimate on what the truck haulage costs would be?

A We have several estimates. They vary considerably.

Q So you're going to put in an adequate road but you will, once you get through on No. 11, anticipate a saving by using conveyor rather than truck?

A Yes, sir.

Q Had it originally been planned to move it all by conveyor?

A No, sir.

1-GR-10

E.P. Johnson - Stevenson Ex.

Q Had it originally been planned that the conveyor system would be in place before No. 9 was opened?

A No, sir.

Q Will there be a time where you're doing the entire haul by truck?

A Not entirely for No. 9. Again the thing is you're hauling from No. 8 mine, you're hauling from Reiff Terrace and West Ridge and Barrett and No. 9, it will all be sort of fingered together, but once we're into complete production from No. 9, we anticipate building it through the mountain.

Q What will go through the line - production from what areas?

A From everything on the Sheep Creek side.

Q Which is what?

A The No. 9, the Reiff Terrace, the deep mine from the Sheep Creek side in the No. 4 seam, and any deep mines in the No. 9 area.

Q Now, what are your plans for a deep mine in the No. 4 seam on the Sheep Creek side of No. 2?

A Well, we intend to come in from that side.

Q Has any work been done?

A No, sir.

Q Do you anticipate that conditions will be roughly the same as they are in the present No. 2, 4 seam, mine?

A Yes, sir.

Q There's been no entry made there yet?

A No, sir.

Q In connection with the opening of No. 9, you've indicated that

1-GR-11

E.P. Johnson - Stevenson Ex.

Q (Continued) the company is going to undertake this itself?

A Yes, sir.

Q Has any of the equipment been purchased?

A Yes, sir.

Q What has been purchased?

A A 16 yard shovel, four coal haul trucks and six rock trucks, --

Q What size of coal haul truck?

A 125 ton.

Q What size of rock truck?

A 150 ton.

Q Go ahead.

A -- some front end loaders, graders. These are not on site but the purchase orders are out on them.

2-JH-1

E. P. Johnson - Stevenson Ex.

Q Who made the decision as to what equipment was to be purchased?

A Our consulting people advised us.

Q And who was that?

A Pincock Allan & Hope, Tucson, Arizona.

Q And when do you expect that that equipment will be put into operation, or at least some of it in No. 9?

A Well, the shovel will be delivered in December, and should be in operation by March.

Q And what magnitude of costs are involved in equipment purchases so far, Mr. Johnson?

A Oh, several millions of dollars.

Q The number 4 seam on the Sheep Creek side in No. 2, how is that coal going to be taken out to the prep plant?

A Well, hopefully through the tunnel through No. 11, sir.

Q And when do you intend to start development of that mine?

A I couldn't tell you exactly, it will probably be in 1975, I would say.

Q Do you have concrete plans for sufficient underground mining to keep all of the present staff employed in underground mining?

A We don't have concrete plans, but we know we have the coal and we know we have the market, and we intend to open these mines as we need them.

Q Now, after the areas that you have talked about so far in deep mining there is No. 9, the possibility of mining No. 9?

A Yes, sir.

Q And after that, sir?

2-JH-2

E. P. Johnson - Stevenson Ex.

A Well, we have always got Grande Mountain.

Q And that is No. 14 area?

A Yes, sir.

Q And what do you know about the prospect for underground mining in No. 9, in the No. 9 area?

A Well, I don't know a heck of a lot right now, but we know the coal is there, and we know from our drill hole information it should be an ideal set-up for deep mining.

Q And what about No. 14?

A I am not too familiar with No. 14 area, except I know that it is a gold mine as far as coal mining is concerned.

Q Do you know roughly what the inplace reserves are or you have seen them at some point?

A Yes, sir. There is not too much work being done on that area, but there are about six and a half miles of outcrop exposed in about 9 drill holes in the area, and about 6 or 7 mineable seams of coal.

Q And would there be a No. 4 and a No. 11 seam?

A No. 4 seam is there, I am not sure about No. 11.

Q And would one assume that this is similar to the No. 4 seam in the No. 5 mine?

A From the looks of the outcrop I think the roof is probably even better than where we are at, and the coal is not as thick, it is about 10 foot thick.

Q And has there been any consideration of the problems of working that coal in view of the height that it is above the valley floor?

2-JH-3

E. P. Johnson - Stevenson Ex.

A Well, that is to our advantage, except for the hauling situation.

Q Why is that?

A You're above the water table.

Q And what about the hauling situation?

A Well, there would be -- it would probably be a similar set-up to No. 9, you would have to put a road in and truck it.

Q Do you know what the productivity of No. 2 now is in terms of tons per machine shift?

A It is very poor, it is about 6 or 7 tons per payroll man, tons per machine shift is down around 180.

Q 100 and --

A 180, roughly.

Q And do you anticipate that to increase when you get into pillaring?

A Yes, it should, yes, sir.

Q And to what kind of level, or do you know?

A Well, it should be at least 500 tons per machine shift.

Q You indicated, Mr. Johnson, that your plans as to where you were going to move and your progressions of underground mining development was not firm, is it correct that you have to see what the conditions are like and get some of these mines into operation before you can decide whether or not you should go ahead?

A Not necessarily, but all these things take a lot of planning, and we don't have the people to do all of this planning ahead of time, that far ahead.

2-JH-4

E. P. Johnson - Stevenson Ex.

Q And what is your production target for this year?

A Well, we are committed to sell a million and a quarter tons to the Japanese, and anything we can get above that we will certainly mine it.

Q And are you on or off of your target?

A Well, we are a little ahead -- we were ahead of the target until this strike, the railroad strike; we are still ahead of our target with the Japanese.

Q A million and a quarter clean tons?

A Yes, sir.

Q In the work that you are doing in the No. 11 seam, have you encountered any problems attributable to the fact that you are working over the No. 4 seam?

A No, sir.

Q And do you anticipate any?

A No, sir.

Q How thick is that seam you're working in?

A Seven and a half feet.

Q And you did give me the height of the No. 4 seam, what is it?

A 28 feet.

Q The height of No. 11 above No. 4?

A 360 feet.

Q What was the 28 feet there?

A The thickness of the No. 4 seam.

Q Do you expect adverse conditions when No. 4 seam of No. 2 is pillared out?

A I don't expect it, no, sir.

2-JH-5

E. P. Johnson - Stevenson Ex.

Q Have you had experience with this kind of operation before?

A Not worked in it, but I have been in mines where they have done this.

Q Do you know approximately what distance you have to go in No. 11 to reach the other side?

A 10,000 feet.

Q And how far have you gone?

A About 600 feet, roughly.

Q And are there five entries?

A There will be, yes, sir.

Q And what is the width of entry?

A 18 feet.

Q And how many machine shifts per day are you getting?

A We are getting 3 now, we are shooting for 6, we put a second machine out there, on the Smoky side, and then we intend to open it up from the Sheep Creek side.

Q And join them?

A Yes.

Q No work has been done towards that yet?

A We are exposing the coal seam on the Sheep Creek side now.

Q Now, as you are proceeding in the operation in No. 11 seam are you also conducting operations with a view to coming back and developing the mine?

A Yes, sir.

Q And you say -- how many entries are you going to drive by?

A Five.

Q At what width?

2-JH-6

E. P. Johnson - Stevenson Ex.

A 18 feet.

Q What centres?

A 80 foot and 100 feet.

Q With crosscuts?

A With crosscuts.

Q How many machines are you planning to work simultaneously?

A Two on the Smoky side and one or two on the Sheep Creek side.

Q And how many shifts per day?

A Three.

Q Three production shifts?

A Yes, sir.

Q Five days a week?

A Yes, sir.

Q And what do you expect in production for machine shift?

A We expect 500 tons, I don't think we will get it.

Q You don't think you will get it?

A No, sir.

Q You're not getting it now?

A No, sir.

Q What are you getting now?

A About 180.

Q With respect to No. 14, there is a No. 4 seam in there?

A Yes, sir.

Q And is that the main seam for production?

A I couldn't tell you for sure, it is one of the main seams,
I am not that familiar with the area.

Q Do you know how thick it is?

2-JH-7

E. P. Johnson - Stevenson Ex.

A 10 feet.

Q Do you know what gradient it is?

A From the looks of the outcrop it is not much over 10 per cent, just eye-balling it.

Q And so far access to be gained for men and material and coal hasn't been determined?

A No, sir.

Q Do you have any knowledge of the plans for the No. 1 mine operation?

A Yes, sir, we are contracting it out.

Q And what work has been done in that regard?

A They are driving the one adit right now -- there are two adits driven in connected with a raise, and at the present they are driving the lower adit in, with a dosco miner.

Q And do you know how far they are working?

A About two hundred feet in total.

Q Have you examined the conditions?

A Yes, sir.

Q And from your examination what do the conditions appear to be like?

A The roof is excellent, in about 180 feet it is a little soft, I think it is kind of a fault area, but it should improve as it goes along.

Q And is there any work being done on No. 3?

A No, sir. No physical work; planning, yes. We are working on it now for hydraulics.

Q Are you involved in that?

A Yes, sir.

Q And at what stage is your work on that?

A Very preliminary; we are waiting on feasibility studies on it.

Q And do you have any hydraulic experience yourself?

A No.

Q You're delivering middlings, Mr. Johnson, to Alberta Power?

A Yes, sir.

Q Are you meeting your contract commitments to them?

A Well, we are not giving them as much coal as they want, but we are giving them all of the middlings that we produce.

Q Is there a calculation of cost in connection with this delivery of the middlings to Alberta Power?

A There could be, I don't have it on the tip of my tongue, but we could calculate the costs, yes, sir.

Q I take it that it isn't calculated on the regular statements?

A No, sir.

Q And is there a calculation of the costs of the disposal of the ash from the Albert Power Plant?

A Again we would have to calculate it.

Q How are these items carried as expense items in your records?

A In preparation plant costs.

Q If I could go back for a second, Mr. Johnson, to the No. 14 mine; has your plan or thinking gone to the stage of considering how it would be mined?

A Well, just -- nothing real specific, but I am sure we would probably dragline some of it, auger a lot of it, and deep mine the rest of it.

2-JH-9

E. P. Johnson - Stevenson Ex.
- Ingle Ex.

Q But deep mining, would it be room and pillar, longwall, hydraulics, or would you consider all three?

A I don't think hydraulics, it would be room and pillar, and very possibly some longwalling.

Q Is there any reason that these costs per ton for the production would be any different from what you're encountering now in No. 2 mine?

A Yes, the coal is not as thick, it would be a lot easier to mine.

Q And you expect better working conditions?

A Not necessarily.

Q Fine. Those are all of my questions.

MR. CRUMP: Mr. Ingle, have you any questions of Mr. Johnson?

MR. INGLE: Yes, sir.

MR. INGLE EXAMINES THE WITNESS:

Q Mr. Johnson, you took over, I understand, on the 17th of March, 1973?

A Yes.

Q When you arrived at the mine were you satisfied with the mining system in operation at No. 2 mine?

A No, sir.

Q I wonder if you would mind saying what it was you were not satisfied with?

A Well, there were a number of things; number one, I didn't like the way they were pulling pillars. The seam of coal is 28-foot thick, and to my knowledge no one has ever been

2-JH-10

E. P. Johnson - Ingle Ex.

A (continued) able to pull pillars in 28 feet of coal. You can't properly support the roof. You should -- probably a maximum of 10 feet to really support it and do a good job. As a result they were hogging it, and the weight was throwing back over the main entries. The workmanlike habits were really bad in the mine. There didn't seem to be any moral to speak of. There was a number of things. Generally I don't think the people at this property were trained in mining this type of coal, is what it boils down to.

Q Would the system of pillaring to which you have referred have a bearing on the safety conditions in the mine?

A Well, certainly.

Q Yes. In your opinion was a consistent plan of mining No. 2 mine being followed?

A Well, there was really not -- not really laid out plan as such in No. 2 mine. Apparently the mine had been developed for longwall mining, and the longwall had been abandoned, and as a result you had a kind of hodge-podge mixture of entries and crosscuts that you couldn't do a heck of a lot with.

Q So do I take it that if you had been there at the start you would have seen that a different system of developing the mine --

A Well, again it is easy to criticize, but from my past experience with this high coal I would have done it differently, yes, sir.

Q Would you agree, Mr. Johnson, that when drifts or roadways are driven into an area and the area is blocked out, that it

2-JH-11

E. P. Johnson - Ingle Ex.

Q (continued) then should be pillared up as quickly as possible?

A In some cases, yes, and in some cases, no.

Q And in what cases would it not be --

A If you're driving main entries for the life of the mine you certainly don't pillar it.

Q Yes, of course.

A Right. But if you're driving up for room work and pillars, then you pillar it immediately.

Q And why should it be pillared as quickly as possible?

A Well, in this particular seam, mostly because of your soft bottom, you get a bottom heave.

Q And the longer it is left the greater danger there is on --

A I don't say danger, but the bottom does heave.

Q Basically because of the instability of the roof?

A No, the floor.

Q The floor, rather.

A And ribs.

Q I understand, Mr. Johnson, that in 6 west of No. 2 mine, on the right-hand side of supply road 680, are you familiar with that area?

A Yes, sir.

Q There is an area that has been blocked out on 60-foot centres --

A 6 west on 60-foot centres --

Q On the right-hand side of roadway 680, do you recall that?

A Yes, sir.

2-SS-1

E.P. Johnson - Ingle Ex.

Q And that has been blocked out now for some seven months?

A M-hm, m-hm.

Q Is there any reason why that should have been left blocked out for that length of time?

A Not really, no, it shouldn't have been blocked out.

Q Are there any plans to pillar out that?

A Yes sir.

Q In view of your answer just a moment ago, do you agree that the longer it is left, the greater likelihood of the floor heaving?

A Yes sir. This doesn't present any danger as such, the floor heaving.

Q I wonder if you could explain that a little further?

A Well, the floor hasn't fallen yet, the floor could heave up unless it traps you and squeezes you or something. The only danger you might conceivably have would be to stop your air flow.

Q But of course if it heaves sufficiently, you have difficulty then ---

A --- no, you just mine out what has heaved and then pillar.

Q I see.

A The one disadvantage of course is, as you mine what has heaved, you have a softer bottom under, this creates a problem.

Q Under The Mining Act, it is the company's responsibility I understand it to keep and operate a safe mine?

A Yes sir.

Q In July of 19, of this year, I understand that the mine inspector gave you some thirty days in which to comply with the Mining Act requirements?

A Yes sir.

Q In respect of what matters, Mr. Johnson?

A He wasn't satisfied with the timbering in 3 west entry, the bottom heaved and broke our rib posts timber and he wanted them all replaced.

Q So timbering was one matter, were there any others?

A There were a couple of areas he didn't feel there were enough roof bolts, he wanted them rebolted.

Q And have the requirements that he specified then subsequently been met?

A Yes sir.

Q Can I direct your attention to the lay-off which occurred I believe it was on Monday September the 10th?

A Yes sir.

Q There is room, is there, at Grande Cache to stockpile coal?

A Yes sir.

Q Yes?

A There is a whole canyon.

Q Yes. But I take it that the decision was made not to stockpile?

A That is right.

Q Now the - I understand that the stevedores at the Neptune loading facility in Vancouver have a collective agreement which expires at the end of this month?

2-SS-3

E.P. Johnson - Ingle Ex.

A I couldn't tell you.

Q Have you any knowledge of that at all?

A I have heard rumors, yes sir.

Q Well, if there should be a work stoppage at Neptune, would the company then undertake stockpiling of coal at Neptune?

A Well, that is not in my department sir, I couldn't answer that.

Q You couldn't answer that?

A No sir.

Q Do you see any reason why the coal couldn't be stockpiled at Neptune?

A It has been stockpiled in the past but there is a danger of stockpiling coal, I'm sure you are aware of it, the big selling point of our coal is the quality, it is a low-vol. and it has a low sulphur, it has a good coking index and anytime you stockpile light coal it tends to oxidize and destroys these qualities.

Q Do you recall discussing this specific possibility with the union officers at a meeting somewhere around September the 12th?

A Yes sir.

Q And am I not correct in thinking that this specific possibility of stockpiling at Neptune was ---

A --- yes sir, it was ---

Q --- was considered?

A Yes sir.

Q And did you give some indication to the union then to stock-

2-SS-4

E.P. Johnson - Ingle Ex.

Q (continued) pile ---

A --- I felt that it could be, but again as I say, I am not the chief of that.

Q No, I appreciate that.

A M-hm, m-hm.

Q Is there any difference in stockpiling at Neptune and stockpiling at Grande Cache from the point of view, from any point of view?

A Yes, there is quite a point of view. The coal at Neptune is already cleaned and washed and they have storage facilities at Neptune.

Q So that the quality of the coal could be better maintained?

A I would think so, yes.

Q Now Mr. Johnson, you have referred to the conditions in No. 11 seam and as I understood your answers a little while ago, it is your opinion that this is a, presents good mining conditions?

A Yes sir.

Q I understand that there has been some roof fracturing in No. 11 seam?

A Yes sir, the spalling out of about the first four to six inches of roof, yes sir.

Q This extends even to the face?

A Yes sir, before we bolted, yes sir.

Q Did this present some difficulty?

A Not really, it is normal roof conditions.

Q I see.

2-SS-5

E.P. Johnson - Ingle Ex.

A It is easily taken down with a pick and a bore.

Q I see. I am not sure that I understood fully the import of your answers to Mr. Stevenson with respect to plans for No. 2 mine, I am not familiar with these various seams and so on.

A M-hm, m-hm.

Q Can you give any estimate of how long No. 2 mine will remain in operation?

A On the Smoky River side?

Q Yes.

A It will be two to three years before we pull the pillars out.

Q Two to three years?

A Yes sir.

Q So that when you said that you planned to pillar No. 2, I took it almost immediately?

A Yes sir.

Q It would take that length of time?

A Yes sir.

Q To pillar it out?

A Yes sir.

Q What is your overall outlook for underground mining in Grande Cache?

A Well sir, I am a deep miner, I am not a strip miner, and if I didn't think there were deep mines here, I certainly wouldn't have come here in the first place, and I intend to stay here.

Q I see. You wouldn't like to give the Commission any estimate

2-SS-6

E.P. Johnson - Ingle Ex.
- Patching

Q (continued) from your point of view of underground mining possibilities?

A Well, if Mr. Fulton and the Good Lord are willing, I have got twenty-six years left and I hope to spend it here.

MR. INGLE: Thank you very much.

MR. CRUMP: Mr. Sabey, have you any questions of the witness?

MR. SABEY: I can't improve on that, Mr. Chairman, thank you.

MR. CRUMP: Mr. Patching, have you any questions of Mr. Johnson?

MR. PATCHING EXAMINES THE WITNESS:

Q Just one, when you drive your set of headings to provide a conveyor to bring the coal through the mountain, will you be able to carry out other mining operations in No. 11?

A Yes sir. The reason for the five entry system is to have a return on both sides. As we drive our five entries, we will make off rooms and we can build our over pits as we advance so it won't interfere with our mining advance at all.

Q Are you not afraid that the extraction work off the sides of the entries will throw some extra weight onto the ---

A --- no sir, we intend to leave about a three hundred foot barrier for that.

Q On each side?

A Yes sir.

Q Would that leave you substantial coal reserves on either side?

2-SS-7

E.P. Johnson - Patching Ex.

A Yes sir.

Q And No. 11, you say, is about seven and a half feet in thickness?

A Yes sir. Some of our drill holes show six and a half but they will be a good seven, seven and a half feet all the way through I am sure.

Q And a normal shale or sandy shale roof?

A It is about eighteen inches and then we have a good competent sandstone above that.

Q And you have - was it three hundred and sixty feet between No. 11 and No. 4?

A Yes sir.

Q And you don't think any of the caving in No. 4 then is going to disturb the seam No. 11?

A No sir.

MR. PATCHING: Fine, thanks.

MR. CRUMP: Mr. Graham, have you any questions?

MR. GRAHAM: No thank you, Mr. Chairman.

MR. CRUMP: Mr. Johnson, I only have one arising from a short question by Mr. Stevenson. With the production which you stated at a million and a quarter clean tons, and of course I suppose the additional to Bethlehem and U.S. Steel, are you able to supply the contract demand of the Alberta Power station on the site?

MR. SABEY: Mr. Patching, Mr. Chairman, I do rise on a point, there is the possibility of some litigation in this respect and we don't want to keep anything from the

2-SS-8

E.P. Johnson - Stevenson Ex.

MR. SABEY: (continued) Commission but on the other hand I trust the Commission recognizes the problem of the situation that we find ourselves in.

MR. CRUMP: It is the possibility of litigation.
At the moment it is not ---

MR. SABEY: Yes.

MR. CRUMP: Thank you. We will discontinue the questioning at the moment then. Mr. Stevenson, have you any re-examination?

MR. STEVENSON EXAMINES THE WITNESS:

Q One point that I wasn't sure that had been made clear, when Professor Patching was asking you about the No. 11 seam and the production of it, what kind of rate of return you were getting from the prep. plant on that coal, what percentage ---

A --- about fifty percent.

Q On No. 11 seam?

A Yes sir.

Q Is there any reason for it being that low?

A Yes, it is the character of the intrusions in the coal seam, we've got a dirt band and so forth.

MR. STEVENSON: Thank you, that is all I have.

MR. CRUMP: Thank you for coming, Mr. Johnson,
I am sure you want to get back where the action is so you may stand down.

(Witness retires.)

MR. CRUMP: I think this is an opportune time

MR. CRUMP: (continued) for our usual recess this
morning, Mr. Stevenson.

(The Hearing adjourned at 10:47 A.M.)

J.K. Godin - Stevenson Ex.

(Hearing resumed at 11:13 a.m.)

MR. STEVENSON:

Mr. Godin.

JOHN KENNETH GODIN, sworn, examined by Mr. Stevenson:

Q Mr. Godin, I understand that you were employed by McIntyre Porcupine Limited for something in the order of 39 years, is that correct?

A That's right.

Q And you have been in the head office of that company since about 1959?

A Yes.

Q And you were the president of the company, retiring as president when?

A In June '72.

Q June of 1972?

A Yes.

Q I understand you still do some consulting type of work for the company?

A That's right.

Q And that you are still a director of the company?

A Yes.

Q How long have you been a director?

A About 6 years.

Q Now, when you started with the company what field of work did you start in?

A Mucking. Shovelling I guess.

Q In the mine?

A Yes.

Q Has all of your experience been in hard rock mining?

J.K. Godin - Stevenson Ex.

A Yes, essentially, yes.

Q And do you have any professional training?

A I'm a member of the Association of Professional Engineers, yes.

Q Up until 1964 or 1965 had you had any experience with coal mining?

A No, not significant.

Q I take it that you have worked in every aspect of hard rock mining?

A Pretty much.

Q Now when did you first become involved with the McIntyre interests in the Grande Cache area?

A If I remember correctly it was about 1963.

Q And would that have been after the United States Steel Corporation had dropped the option that they held?

A Yes.

Q And had you seen a report made by Dr. Landes?

A Yes.

Q Was there anybody else in the company who had any coal mining experience at that time?

A Les Price.

Q Do you know the extent of his experience?

A No, I don't know the total extent of his experience.

Q All right. What was the first involvement you had then after the U.S. Steel option had been dropped?

A Well, to look into the situation and see if it was of any value to McIntyre.

Q And did you do some investigation?

A Yes.

2-GR-3

J.K. Godin - Stevenson Ex.

Q Did you contact the U.S. Steel people?

A Yes, I went to see them.

Q Did they indicate to you why they had dropped the proposition?

A They were not unanimous at U.S. Steel in their decision to drop, but at that time they had shelved their plans for a steel plant in the West Coast. I think that was one of the major reasons.

Q And after your discussions with U.S. Steel did you form the opinion that it was worth pursuing the development of this coal deposit?

A Yes.

Q Based on the Landes studies and your discussions with U.S. Steel?

A Yes, and to -- that and to some extent with the growing demand in Japan for coal at about that time.

Q You knew of this demand?

A Yes.

Q Was there shortly after that an approach made to the Japanese?

A I'm not sure what the time was but it wasn't too long afterwards, yes.

Q Who was the instigator of that approach?

A I was.

Q And what was the general discussion at that stage?

A I talked to representatives of Mitsubishi about this and gave them some material to look at, about quantities, quality, and some of the, some of the parts from the Landes report. The Landes report itself was a very large report --

2-GR-4

J.K. Godin - Stevenson Ex.

Q At that time was that the only study you had?

A Yes.

Q And did you continue discussions with the Japanese over a period of a year or two?

A Oh yes, I think that they went on, off and on from that time.

Q Did you contact the Canadian National Railways?

A Yes.

Q At a fairly early stage?

A Yes.

Q And what was the basis of your approach to them?

A Well, to get an idea as to what types of, what type of guarantee they might want, to build a railroad into the property.

Q And was there some indication of what they wanted given to you?

A I don't remember any definite figure but I think a minimum of a million tons was mentioned, a million tons a year.

Q Was any length of term indicated to you?

A Yes. If I remember correctly, 10 to 15 years, something in that area.

Q Did those discussions take place in Montreal?

A Montreal and Toronto.

Q And who was it you dealt with with Canadian National?

A Initially I dealt with Mr. Ralston, who was --

Q Ralston?

A Ralston.

Q And he was a mining engineer or had professional qualifications?

A He's a mining engineer and I believe he was manager of a development or something of that sort.

J.K. Godin - Stevenson Ex.

Q Now, did you get quotations or estimates from the Canadian National?

A I don't remember that we had quotations as such.

Q Now during this time did you decide to commission some experts to undertake some studies for you?

A Yes.

Q Who was commissioned?

A We had a consultant from United States. He was a retired vice-president of Southern Pacific Railroad.

Q His name was Mr. Poole?

A Poole, that's right, Mr. Poole.

Q Did you hire some coal consultants during this period as well?

A Yes. Initially we engaged Mr. Gardiner, of Penticton I believe, British Columbia, and then the Paul Weir Company.

Q And the Paul Weir Company. Now, do you recall the occasion when the Alberta Resources Railway was announced by the Government of Alberta?

A I don't recall the exact date but I remember it was quite a surprise.

Q Now, prior to the announcement by the Government, of the Alberta Resources Railway, had you had any contact with the Government of the Province of Alberta in relation to your discussions for the development of this coal?

A I don't think so. I'm not sure of the time interval there, I'm not sure of the date that I first met some of the people from the Alberta Government.

Q You do not recall any discussions prior to the announcement of

Q (Continued) the Alberta Resources Railway?

A No, I do not.

Q But you had had discussions with the Canadian National?

A Yes.

Q And you had discussions with the Canadian National in which there had been some general discussion of quantities and term of commitment that would be required?

A Yes.

Q Did you indicate to Canadian National that you were thinking in terms of such an arrangement being made with the Japanese?

A You mean obtaining a contract to sell it? Yes.

Q And at the last time before the announcement of the Alberta Resources was made the Canadian National was talking to you in terms of guarantees?

A Yes.

Q Did you have the Gardiner report in hand by that time?

A Harry Gardiner, the initial consultant?

Q Yes.

A Yes but we didn't take it too seriously. It was concerned primarily with hand mining only.

Q Well, the first Paul Weir Company report was also based on manual mining, wasn't it?

A Well, not quite the same. It was based on what they call conventional mining, which was a drill and blast situation. The Gardiner report envisaged a hand picked mine, real hand mining.

Q Now you told me that the announcement of the Alberta Resources

2-GR-7

J.K. Godin - Stevenson Ex.

Q (Continued) Railway came as a surprise to you. How did it come about that you knew about it?

A I was informed by Mr. Ralston of the CNR.

Q And did he advise you before or after there was a public announcement, do you remember?

A Oh, as I remember it, it was a day or two before the public announcement, a very short time anyway.

Q At that point, after you learned that there was going to be a railway, did you make a decision as to what steps should be taken with respect to negotiations with the Japanese or the possibility of development?

A Well, it threw a new light on the negotiations now that a railroad was going to be built.

Q Had you been continuing your discussions with the Japanese during that time?

A Yes, off and on.

Q After the announcement of the railway did you decide to try and go ahead?

A Well, the negotiations with the Japanese were, as I say, sort of a continuing --. They were hot and cold, you know, during that period.

Q Who was the person in the company responsible for these negotiations?

A I guess I was at that time.

Q And what position were you occupying then, do you recall?

A I was general manager.

Q Did you then have Mr. Hulbert come and do some work?

A Yes.

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Q Did he join the company?

A Yes. He was the -- I think about 19 -- I'm not sure of the date, '66 I believe.

Q Was he a consultant prior to that?

A No, he was, if I remember correctly he was a general manager of mines for Crowsnest Industries, or Crowsnest Mines.

Q Did he later revert to doing consulting work for the company?

A Yes.

Q Now, when can you say you got down to serious negotiations with the Japanese? Can you say what year that was in?

A I think it would be 1967.

Q Was there an occasion where you went to a meeting with the Japanese with Mr. Zimmerman?

A Several, yes.

Q And who was he?

A He was a vice-president of Paul Weir Company.

Q And at the time of those negotiations did you have a feasibility study from the Paul Weir Company?

A Yes.

Q And did that, in your view, justify discussions in the line of 1 to 1½ million tons for 15 years?

A Yes, I think so.

Q And did the Japanese indicate to you that they were interested in a long term contract?

A Yes.

Q And what was the company's position, did they want a long term contract?

A Yes.

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Q Did you consider short term contracts at that time?

A Not at that time.

Q Now, after the announcement of the Alberta Resources Railway did you have any communication with - did you have any communication with the Government of Alberta about your plans for the Smoky River coal area?

A I guess about that time we were up -- the experimental program that Hulbert was looking after was in progress I believe, about that time. I made it a point when I visited the mine to call on Mr. Manning or Mr. Strom, his successor, or Mr. Patrick, passing through - they were mostly informal visits.

Q Did you indicate to the persons with whom you talked the type of contract that you were looking for and the kind of anticipated contract you expected?

A With the Alberta Government officials?

Q Yes.

A Yes, I think that would be sa- -- in an informal way.

Q Again, would this be in the order of 15 years and 1 to 1½ million tons?

A In that area, yes.

Q And did you keep the Government informed of the progress of your negotiations?

A Yes. Again informally. I don't think there was any correspondence.

Q Now, your negotiations culminated in July of 1968, would that be correct?

A Well, I think it was in June of 1968 that the Letter of Intent was signed.

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Q And the public announcement and formal contract came in early 1969. Did you advise the government that the Letter of Intent had been executed?

A Oh, yes.

Q And did you have any discussions with the government about the provision of Town facilities or the Townsite or the operation you were proposing?

A We had discussions concerning the Townsite, yes.

Q With whom?

A I believe I discussed it with Mr. Patrick, and I have forgotten -- the Minister of Municipal Affairs, I have forgotten who it was at the time.

Q And what were the general discussions about the proposed Townsite, Mr. Godin?

A Well, they were very general, as far as I was concerned, I wasn't in any detailed negotiations -- or, discussions would be a better word for it. We were mainly concerned that we wouldn't have a shacktown in there.

Q And did you know about the Provincial New Town Legislation, or were you told about it?

A I was told about it.

Q And was it indicated to you that the planning for the Town would not proceed until you had a contract?

A Well, I would think that would be generally accepted.

Q And the government was informed between the time of the Letter of Intent and the public announcement, is that correct?

A Yes. If I remember correctly the Letter of Intent was

3-JH-2

J. K. Godin - Stevenson Ex.

A (continued) publicized too, as well.

Q Now, at the time you came to a firm conclusion with the Japanese buyers, whose feasibility studies did you have, and whose were you relying on?

A Well, we started with the Paul Weir Company, we had Mr. Gardiner's study, we had a study by Mr. Walmesley of the UK, we had studies by Mr. Tweedy, and we had -- I suppose those were the outsiders, and then Mr. Hulbert who was with us.

Q Now, the English studies, were those in relation to the method of mining?

A Yes.

Q And let me go back, by the time you made your commitment with the Japanese, had you also concluded your negotiations with the Canadian National?

A Oh, yes.

Q And in your negotiations with the Canadian National, you had a consultant, Mr. Poole?

A Yes.

Q And these would be negotiations after the Alberta Resources Railway was announced that I am talking about now --

A I am not sure, they were about the same time, I think.

Q They were certainly concluded after the Alberta Resources Railway was announced, your figures with the CNR?

A I would think so, but I would like to verify the dates.

Q Did you know anything at all about the relationship between the Canadian National and the Alberta Resources Railway?

A Yes, I think to the extent that it was our information that

3-JH-3

J. K. Godin - Stevenson Ex.

A (continued) the Canadian National would build the railroad and operate it.

Q Did you know that there was a rental agreement, or did you know the rate that was payable under that rental agreement?

A No.

Q Did you know that Canadian National intended to negotiate with the Province for changes in that rate at any time?

A No.

Q Did you have any discussions with anyone in the Government of Alberta relating to the rates that were to be charged by the Alberta Resources Railway to the Canadian National?

A No.

Q And you conducted these negotiations with the Canadian National?

A Yes.

MR. CRUMP: Mr. Godin, may I ask for the benefit of the reporter and the Commission, would you speak a little more loudly.

A I will try.

Q MR. STEVENSON: Now, Mr. Godin, how did you arrive at the price that you did arrive at with the Canadian National?

A Well, we told them that this was the highest price that we would live with.

Q And what did you tell them?

A \$3.50 a long ton.

Q And that was \$3.50 a long ton?

3-JH-4

J. K. Godin - Stevenson Ex.

A Yes.

Q With the CN providing the equipment?

A Yes.

Q And did you tell them what you thought their costs were?

A An estimate.

Q Had Mr. Poole done a study for you?

A Yes, two or three studies.

Q And did Mr. Poole take part in these negotiations?

A He was present, but he wasn't called upon to say anything.

Q And were your cost figures put before the CN?

A They were stated verbally.

Q And did you know Mr. Poole's reputation or status in connection with this kind of information?

A Yes.

Q And what was it?

A Well, he was a -- considered an expert on railroad operating costs and freight rates, and had written several books on it.

Q And was this a detailed study he carried out?

A Pretty detailed, he had it down to the last gallon of oil.

Q And what did you tell the Canadian National with respect to the sort of required rates, how did you describe the cost that you could operate on?

A Well, we told them what Mr. Poole's estimate was of the cost of moving coal from Smoky to Vancouver, \$2 a ton.

Q Did Canadian National tell you that they had a rental to pay the Alberta Resources Railway at that point?

A No, their only comment was, was that it sounded low.

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J. K. Godin - Stevenson Ex.

Q It didn't sound low to you?

A Well, we didn't expect to get it for \$2.

Q Did you tell the Canadian National that unless the rates were 3.50 the coal wouldn't move?

A No, but towards the end of that negotiation someone finally said "Well, what do you need?", and this is when I told them we needed \$3.50 a long ton.

Q And did you expect that on that basis you would get a reasonable rate of return on your investment?

A Yes. According to our figures at the time, this was an accurate figure, as far as we knew we needed to have \$3.50.

Q To sell at what price?

A At approximately \$14 US, \$15 Canadian.

Q F.O.B. Vancouver?

A Yes.

Q And on the projections at selling \$15 Canadian McIntyre would get a reasonable rate of return on its investment?

A Had the estimated costs been achieved, yes.

Q But you were then working from figures that had been developed by your consultants?

A Yes.

MR. SABEY:

Mr. Godin, speak up.

Q MR. STEVENSON: And at this time you had projections which indicated some reasonable rate of return for McIntyre Porcupine?

A Yes.

Q What was that rate of return?

3-JH-5A

J. K. Godin - Stevenson Ex.

A It varied, depending -- there were so many parameters put into the studies, if a certain price was received and certain estimations -- as I remember - I am just -- there were so many studies made on rates of return that I could be wrong here, but I think it was in the neighbourhood of 16% return on the investment.

Q And did you advise CN of the competitive prices that you were trying to meet?

A I don't understand the question.

Q Well, was there a discussion with Canadian National that you had to meet any particular competitive price?

A No.

Q All right. Mr. Godin, we get to the Letter of Intent, was it for 2 million tons per year over 15 years?

A Yes.

Q And \$13.75 US?

A I think it was 13.90.

Q At Vancouver?

A Yes.

Q Had you yourself studied the report, feasibility studies on which your decision to proceed was made?

A Yes.

Q Did those reports justify anything in excess of 30 million tons at that time?

A Well, you might get a difference of opinion on that; my own opinion was that the reserves were such that 2 million tons could be a minimum.

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J. K. Godin - Stevenson Ex.

Q That was your personal opinion?

A Yes.

Q Would I be correct if I said that the consultants' reports that you had at that time did not justify your committing yourselves to a contract in excess of 30 million tons over 15 years?

A That's right. We are talking about two different things, we are talking about reserves in a certain area, when I said that I could see much more, I was thinking of another area than the one contemplated by the consultants, additional areas.

Q And what did you have in mind?

A Well, I was thinking of the east side of the river which became No. 5 mine, and 14 mine and various others that were not considered by the consultants.

Q And what areas did your consultants consider?

A No. 1 mine and No. 2 and No. 3 mine.

Q And they thought those were sufficient to justify the 30 million ton commitment?

A Yes.

Q And when did you start hiring people with coal expertise for the proposed coal development other than Mr. Hulbert?

A Well, it would be sometime in the last summer and fall of 1968.

Q And up until that time you had Mr. Hulbert and you had Mr. Price?

A Yes.

3-JH-7

J. K. Godin - Stevenson Ex.

Q And you hired Mr. Cook in the fall of 1968?

A I believe that is correct.

Q And he was hired to operate the mine?

A Yes.

Q Now, in the planning for the 15 years and 30 million ton contract, was there any consideration given to strip mining?

A In the 15 -- yes, there was some discussion about it, no decision had been made, but it had been discussed, yes.

Q You weren't relying on strip mining to provide any part of that 30 million tons?

A No, we were not, but we were thinking that it was there in case it was needed.

Q Now, I take it that you were satisfied that there was no problem in meeting those commitments?

A That was my opinion.

Q And was that based on your experts' reports or your own judgment or a combination?

A I suggest it was a combination.

Q And there was no doubt at all when that Letter of Intent was signed in your mind?

A No.

Q Later on strip mining came to be considered for a possible second contract, is that correct?

A Yes.

Q And at that time did you form an opinion or impression as to what kind of price you would need to justify extensive strip mining?

3-JH-8

J. K. Godin - Stevenson Ex.

A Yes.

Q And what was the price that you felt would be needed?

A Again there were many studies and -- somebody could verify this from the company, but I think it was around 20 -- between 21 and \$22, in that area.

Q F.O.B. Vancouver, Canadian money?

A Canadian money, that's right.

Q And do you know when that discussion took place, or when that consideration took place, Mr. Godin?

A I think it was sometime during 1971.

Q Would that have given you the same kind of rate of return as you had originally been looking for on the 30 million ton contract?

A Approximately.

Q Now, after the contract was signed, I take it that you encountered increased cost problems at a very early stage?

A Operating costs?

Q Yes.

A Yes.

Q As soon as you started actual mining operations?

A I think it would be fair to say that's right.

Q And you encountered low productivity?

A M-hm.

Q Yes?

A Yes.

Q That hadn't been anticipated or taken into consideration in your original negotiations?

3-JH-9

J. K. Godin - Stevenson Ex.

A Well, perhaps it was beyond the expectations, yes, at the time.

Q And there were productivity problems that you at any rate, hadn't anticipated?

A Yes.

Q There were problems with the mines roof controls?

A M-hm.

Q Is that right?

A Yes.

Q And mechanical problems that hadn't been expected?

A Correct.

Q Had no one, or at least had you not given some consideration to the possibility that you might encounter adverse conditions?

A Yes, I had.

Q And were you in a position to determine or consider what kind of adverse conditions might be encountered in coal mining?

A Well, I would have to take some one else's advise on that.

Q It's not like hard-rock mining?

A No, there is a difference.

Q You knew that when the contract was negotiated, did you?

A Yes.

Q Anyhow the problems that were encountered exceeded any professional anticipation advice that you people had been given?

A I think it is fair to say that.

Q Now, in particular there was a problem with the longwall that developed, is that right?

A Yes.

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Q And you personally became involved to the extent that you observed those operations?

A Yes.

Q And the longwall operation in the No. 5 mine, did you have an opinion as to what the problem was with it?

A No question in my mind, the equipment was faulty.

Q And in the No. 2 mine?

A The equipment was all right, the ground conditions were bad.

Q And how did that manifest itself; you went in and looked and inspected this?

A Yes, the ground wasn't caving behind the longwalls as we expected and hoped and was necessary.

Q The ground wasn't caving behind the longwalls as was expected and was necessary?

A That is correct. Necessary to relieve the pressure that falls on there, and as a result the pressure went ahead of the longwall face, and crumbled the coal and the immediate roof.

Q And you were able to see this problem develop in the No. 5 mine?

A No.

Q In the No. 2 mine?

A In the No. 2 mine, yes.

Q And were some attempts made to overcome this problem?

A Oh, yes, many.

Q And what kind of attempts were made?

A Well, bolting ahead of the face to try to prevent this crumbling of the rock and the coal, I guess that was the main

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J. K. Godin - Stevenson Ex.

A (continued) the main effort.

Q So the final decision was made to pull out the equipment, is that right?

A That's right.

Q And you were satisfied it had to come out yourself?

A Well, we had no -- yes, I was satisfied.

Q And was consideration given to moving the equipment from No. 2 into No. 5?

A It was discussed.

Q Was it done?

A No.

Q Why not?

A Again time, and the requirements to meet a contract.

Q Did you have the impression that the No. 2 working equipment might have been feasibly employed in the No. 5 mine?

A I wouldn't argue with that, I think there would be a distinct possibility that it would.

Q If you had had time to try it out?

A That's right.

Q And the Weir Company's report, Mr. Godin, wasn't it really predicated on efficient mechanical mining and on the longwall system?

A The Weir Co. report?

Q Yes.

A Weir Co recommended longwall in No. 1 mine, and room and pillar at No. 2.

Q I am sorry. Your negotiations with the Japanese, those were

J. K. Godin - Stevenson Ex.

Q (continued) predicated on an efficient mechanized, highly mechanized operation?

A It was.

Q Had any consideration been given by the company up to the time the contract was signed with the Japanese of hydraulic mining?

A It had been discussed, but I don't think too seriously up to the time of the signing of the Letter of Intent.

Q Was it discussed subsequently?

A Yes.

Q And to what extent?

A Well, our -- the senior mining engineer on the property was a very competent Japanese engineer, and he was familiar with hydraulic mining.

Q And he did some studies for you?

A He did some studies and drew up some plans for this type and what not, and did a fair amount of study on it.

Q Why was No. 1 mine not developed, Mr. Godin?

A Well, I think it was because of the distance, about 6 miles from the treatment plant, and also the decision was made at that time to mine No. 5, which wasn't in the original plan, but which was just right across the river from No. 2 mine. It was a long flat area, and it just seemed to be the best thing to do at the time.

Q And why was the decision made to go to No. 5, do you know?

A Well, as I have said, it was closer, it was flat coal.

Q When problems in productivity arose the decision was made to

J. K. Godin - Stevenson Ex.

Q (continued) go to No. 8, is that right?

A Yes.

Q And why was the decision made to go to No. 8 and not No. 1?

A Again a question of time; coal could be produced from No. 8 much sooner than No. 1.

Q And were the original plans for meeting the Japanese contract predicated on a 7-day week?

A Yes.

Q Was there any concern when the decision was made to go to No. 1 about the ability of the company to keep the underground force that was then on site employed?

A I don't remember any question of that.

Q In your mind would they at that point of time, when you decided to go to No. 8, be continued to be employed in underground operations?

A Yes.

Q Now, the No. 5 mine was closed after you had retired as President, that is correct?

A That is correct.

Q Was it discussed with you prior to the Board meeting in January when the decision was made?

A No.

Q When was the first time you heard about the plan to close No. 5?

A At the Board meeting.

Q And who put it forward?

A The President, Mr. Fulton.

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Q And on what basis was it put forward to you?

A The continuing and mounting production costs at No. 5 mine.

Q Was it put forward on the basis that this was an increasing problem with no remedy in sight?

A It appeared that way, there didn't seem to be any daylight in getting that mine on an economic basis.

Q Was it considered as an attempt to reduce over-all costs, or strictly on the basis of the non-productivity or low productivity of that mine itself?

A Well, I think both. The idea was to cut costs, and that was a major cost, of course, to operate No. 5 mine.

Q Was there a discussion of switching some of your demand to No. 9?

A As I recall it was switched to No. 8.

Q And was it then discussed that you might be able to reduce the length of the Japanese contract?

A I don't remember, but it probably was discussed.

Q Tell me this, Mr. Godin, do you recall when the first time you were informed of the negotiations to reduce the length of the Japanese contract?

A I would guess it would be March of this year.

Q After discussions had been initiated?

A Yes.

Q You didn't have any part in those discussions?

A No, none at all.

Q Was the wisdom of that choice of action discussed with you as a Director before negotiations concluded in Japan?

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A I don't remember, I don't think so.

Q I assume it was reported to the Directors?

A Yes.

Q And at the time it was reported to the Directors was it an accomplished fact?

A I am not sure of the time interval there, it might have been, it might not have been.

Q And did you pass any judgment on the wisdom of that decision?

A I don't know whether I passed judgment, but my opinion was that the decision was a correct one.

Q On what basis?

A On the basis of the changing market conditions in Japan and -- well, elsewhere.

Q And did you have any concern about the fact that some affairs, such as the CN's contract and perhaps the Town's affairs were ordered on the basis of a 15-year contract?

A Well, I would presume that would be a very important factor in the decision.

Q And did you anticipate that there would be an ability to sell somewhere between 1 and 2 million tons of coal and keep operating on that basis for the next 10 or 11 years?

A I would certainly think so, yes.

Q Based on what fact, opinions, Mr. Godin?

A Well, the growing demand for steel and coal, worldwide.

Q And were you satisfied that there were reserves to carry out that contract?

A Oh, yes.

J. K. Godin - Stevenson Ex.

Q And what was that satisfaction based on?

A Well, isn't that similar to what you asked me earlier?

Q Yes.

A Yes.

Q But you have now had some experience.

A I see what you mean. No, I was still confident that -- no, there was no question in my mind of any shortage of reserves, of mineable reserves.

Q Of economically mineable reserves?

A Well, hopefully -- there is a little less certain area there because of price and what not.

Q There is a considerable difference between mineable and economically mineable reserves?

A That's right.

Q And you had learned then that the reserves which were being developed and had been developed to meet the Japanese contracts had not been economically mineable; you were into a loss position throughout, is that correct?

A Not economic at the price that was being received.

Q And were you satisfied that they were economic at the new price?

A Well, it throws a loss from the uncertain category to the certain category.

Q Would you agree with me, Mr. Godin, that there were an exceptional number of changes in management of the coal operations of the company over the period '69 to date?

A Yes.

J.K. Godin - Stevenson Ex.

A Yes.

Q And would you agree with me that that would obviously have some effect on staff morale in long term planning?

A Yes.

Q Were the changes in management attributable to any one particular problem?

A Well, there weren't the same reasons for all, if this is what you mean, there were various reasons.

Q Where did McIntyre get its information with respect to coal markets when it entered into the contract with the Japanese in 1968-1969?

A From the Japanese and from the Paul Weir Company.

Q From the?

A Japanese and from the Paul Weir Company.

Q Were there any studies made of market prospects at that time for the company?

A Prior to what?

Q Prior to the signature, prior to making the contract with the Japanese?

A Well, they would be very elementary prior to 1968.

Q Did you have any anticipation of the extensive increase in the demand for quality coking coal?

A Well, not to the extent that it actually happened.

Q Where did you get the market projections that you did have, from the Paul Weir Company?

A To, yes, to a considerable degree.

Q Did you have anybody in your own staff capable of making those

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J.K. Godin - Stevenson Ex.
- Ingle Ex.

Q (continued) kind of assessments?

A Well, capable of gathering all the data as to the demand in various places.

Q As to existing market conditions?

A Yes.

Q But as to future market projections?

A Yes, we had people in our staff.

Q Were studies done?

A Yes.

Q By whom?

A By, I guess mainly - from our staff?

Q Yes.

A Kilbourne & Patterson.

MR. STEVENSON: That is all I have, sir.

MR. CRUMP: Mr. Ingle, have you any questions of the witness?

MR. INGLE: Yes, Mr. Chairman.

MR. INGLE EXAMINES THE WITNESS:

Q Mr. Godin, I understood you to say to Mr. Stevenson that you couldn't recall exactly when you first contacted the CNR with respect to the possibility ---

A --- that is right, I don't know the exact date.

Q Would it have been in '63 or '64?

A More likely '64.

Q '64. And I think you said that initially your discussions with the CNR took place with a Mr. Ralston?

A That is right.

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J.K. Godin - Ingle Ex.

Q And subsequently with whom, on behalf of the CNR?

A Well, the final negotiations, if I remember them correctly, were with Mr. Gardiner, Mr. Johnson I believe and Mr. Dawson.

Q I see. Not with Mr. Gordon?

A No.

Q And would I be correct in thinking that those discussions were predicated on the CNR building and operating the line in consideration of a guarantee from the company of a certain tonnage, at a certain rate?

A Yes, the talks were exploratory.

Q Of course.

A What do we need here before we go ahead? We need a railroad. Or what would it cost to build it? Would you build it? What requirements do you want? This sort of thing.

Q And was it your impression from those discussions, Mr. Godin, that if the, if McIntyre met the CNR's requirements so far as tonnage guarantee and rate was concerned, they would undertake to build a railroad?

A Well, this was the idea, of course. This was why we were discussing it with the CN.

Q And you were going ahead on the assumption that the CNR would, that you would be able to reach agreement with the CNR and that they would in fact build and operate the railroad?

A Well, that depended on a lot of things, but I guess we hoped that if we were able to develop coal, get a high

A (continued) enough price, that the CNR would have to build a railroad and in order to do that, they would have to have certain guarantees.

Q Did the possibility occur to you that you might not be able to reach an agreement with the CNR on those basic questions?

A Indeed.

Q And in that event, what would McIntyre have done?

A Well, I don't know what we would have done. We might have discussed it politically then.

Q Might have discussed it?

A From a political angle, or might have approached it from that angle.

Q You might have considered asking the Government?

A I am not saying that. We might have discussed it with the Federal Officials in Ottawa, it never occurred to us to discuss it with the Alberta Government, if this is what you're thinking of.

Q Yes. No consideration of McIntyre itself building that railroad?

A No, that is pretty expensive.

Q It has been done.

A That is right.

Q But McIntyre didn't consider that possibility in this situation?

A No.

Q And I understood you to say that, I would like your confirmation of this, that in your discussions with the CNR,

J.K. Godin - Ingle Ex.

Q (continued) the possibility of Provincial Government undertaking to build a railroad was not discussed at all?

A That is correct.

Q It did not arise?

A That is correct.

Q And so that when the announcement was made by the Government, at least the Provincial Government, at least when you were informed two or three days ahead of time that the announcement would be made, it was a complete surprise to McIntyre?

A Yes.

Q I asked you, Mr. Godin, about the question of stockpiling in certain situations. The, was and is of paramount importance to McIntyre that the production quotas be met in order to fulfill your obligations under the contracts with the Japanese?

A That is right.

Q And so that if there should occur an interruption in the transportation of the coal from the Grande Cache mines to the Japanese, I take it that the company would give serious consideration to stockpiling coal?

A At the mine site?

Q At either the mine site or at Neptune?

A Yes, that is right.

Q Now, I asked the previous witness about whether the company might consider stockpiling it at Neptune in the event of a work stoppage there by the stevedores. Can you

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J.K. Godin - Ingle Ex.

Q (continued) give us your opinion as to whether or not stockpiling would be undertaken in that eventuality?

A No, I wouldn't know, I am not active in the administration.

Q I see. Can you give us your opinion as to what considerations would determine whether or not stockpiling would take place either there or at Grande Cache and the difference, if any, between the stockpiling in the two places?

MR. SABEY: Mr. Chairman, I reluctantly rise, I don't know whether this line of questioning is really germane to this or future union negotiations.

MR. CRUMP: This witness of course has no active knowledge of this.

A Yes sir.

MR. CRUMP: In addition; Mr. Ingle, with the last witness you asked many questions of Neptune and he had no knowledge of Neptune's operations. If you have questions that will elicit information pertinent to the inquiry in terms of reference in regard to Neptune, if you will let us know, I am sure we can arrange for someone from the company who is conversant with the operation of that Neptune.

MR. INGLE: Well Mr. Chairman, with respect, I was directing my questions to what McIntyre's actions would be in certain eventuality and relating that particularly, Mr. Chairman, to the lay-offs which recently occurred at Grande Cache.

MR. CRUMP: This witness was not in charge of the

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MR. CRUMP: (continued) operation at that time.

MR. INGLE: I appreciate that.

MR. CRUMP: And the question is not acceptable.

MR. INGLE: I appreciate that, Mr. Chairman.

Q MR. INGLE: Now you have given evidence, Mr. Godin, with respect to the difficulties encountered in No. 2 mine in that the, I understood you to say, pressure went ahead of the face of No. 2 mine and crumpled the coal?

A Yes.

Q And that this led to production difficulties you referred to. Were you aware that pillaring was being done on the tail-gate section of the longwall in No. 2 mine?

A Well, are you suggesting this might have affected it?

Q Yes.

A I don't think, my advice from the mining experts at that time was that this was not a problem.

Q Not a problem because it didn't occur or because it wouldn't affect the ---

A --- well, I am not sure, I am not sure where this pillaring that you are speaking of occurred but there was no suggestion of danger to me because it was close or something, it may have been a thousand feet away, I am not sure.

Q I see. You have no direct knowledge of that?

A No.

Q You referred to, very briefly, to the fact that in your opinion the equipment was faulty in No. 5 mine?

A That is correct.

Q That was a major reason for the company's difficulties?

3-SS-7

J.K. Godin - Ingle Ex.

A That is correct.

Q Part of that equipment, I understand, was roof supports which had been ordered from Fletcher & Stewart?

A That is correct.

Q And those roof supports were ordered by McIntyre from Fletcher & Stewart to whose specifications?

MR. SABEY: Mr. Chairman, I apologize, Mr. Ingle, I don't know if Mr. Ingle is aware but that is the subject of current litigation.

MR. INGLE: I was going to ask whether or not it was.

MR. SABEY: Yes, between the company and the suppliers.

MR. INGLE: All right.

MR. SABEY: So that is an extremely ---

MR. CRUMP: --- you better leave that subject alone, Mr. Ingle.

MR. SABEY: Thank you.

Q MR. INGLE: All right, I will turn to another subject, Mr. Godin. You referred, in your answers to Mr. Stevenson, to the effect that the contract with the Japanese had been based on a seven day week?

A Initially, yes.

Q Initially, and am I correct that a seven day system was operating?

A For a short time, yes.

Q It involved twenty-one days on and seven days off?

3-SS-8

J.K. Godin - Ingle Ex.
- Patching Ex.

A That is right.

Q Yes. Am I correct, Mr. Godin, in thinking that this involved, the working out of the work schedules meant that for two days a week men would be required to work some sixteen hours in a twenty-four hour period?

A I don't remember.

Q You don't remember. Do you know whether or not there was any consideration in discussions on this subject with the fact that such a schedule might contravene the Mines Act?

A I don't recall any such a discussion. This was an operating situation.

Q Yes.

A I wasn't that close to it.

Q You haven't personal knowledge of that?

A That is right.

MR. INGLE: Thank you very much.

MR. CRUMP: Mr. Sabey?

MR. SABEY: No questions, thank you Mr. Chairman.

MR. CRUMP: Mr. Patching, have you any questions of the witness?

MR. PATCHING: I have a couple.

MR. PATCHING EXAMINES THE WITNESS:

Q Was it necessary in any way to promise the Alberta Government that a certain tonnage to be sent out over this rail line, was there any pressure from the Alberta Government ---

A --- none at all ---

Q --- to deliver a certain tonnage?

3-SS-9

J.K. Godin - Patching Ex.

A None at all.

Q Was it necessary to commit a certain tonnage to the CNR in order to get the contract with them, was it necessary to commit an initial contract tonnage of a million and a half and then of two million tons a year to the CNR?

A In order to get that freight rate?

Q Yes.

A Yes.

Q And is that the reason why you began production at those rates?

A Well, that would be one reason, it wouldn't be all of them.

Q And was there any consideration given to the possible need for a longer lead time to develop the mine and to open up the working areas before committing yourself to a certain tonnage?

A Yes, you are correct on that Mr. Patching. One of the errors, in my opinion, was that we didn't give ourselves enough lead time.

Q This was, the decision to go ahead I presume was because there was a contract that you thought was suitable, available?

A Yes.

Q And you thought that you would be able to overcome the operating difficulties and handle it in time?

A Yes sir.

MR. PATCHING: That is all, thanks.

MR. CRUMP: I think perhaps some light can be thrown on the subject that you have just raised by reading

3-SS-10
J.K. Godin

MR. CRUMP: (continued) in the annual report of McIntyre Porcupine, 1972, notes to financial statements, commitments and contingencies, paragraph 4 which states very clearly I think what the commitment of the company is.

I have only one question, Mr. Godin, not to you but to Mr. Ingle.

Mr. Ingle, you said in your examination of Mr. Godin that, when we were discussing the building of the railroad and that McIntyre, you asked I believe, if McIntyre had contemplated building it themselves and the answer was no and you said "It has been done". Would you satisfy my curiosity on what coal company built a forty million dollar railway?

MR. INGLE: Not a coal company, Mr. Chairman, but I believe that the Iron Ore Company in Newfoundland constructed a railway.

MR. CRUMP: Correct.

MR. INGLE: But not a coal company.

MR. CRUMP: Not a coal company.

MR. INGLE: Not a coal company, I didn't mean a coal company.

MR. CRUMP: Thank you. Have you any re-examination, pardon me, Mr. Stevenson, Mr. Graham?

MR. GRAHAM: No questions.

MR. CRUMP: Have you any re-examination, Mr. Stevenson?

J.K. Godin - Stevenson Ex.

MR. STEVENSON EXAMINES THE WITNESS:

Q Mr. Godin, I want to clear up one point. In your negotiations with the Canadian National you indicated that you talked about \$3.50 a ton?

A Long ton.

Q Long ton?

A Long ton.

Q And that was a figure which included, which provided Canadian National cars?

A That is correct.

Q And there was one point that I neglected in my note. Mr. Hulburt had experience mining seams at Crowsnest, is that correct?

A Yes.

Q Had he informed you of the kinds of problems that had been encountered there?

A Oh yes.

Q And was that taken into consideration in making this commitment for thirty million tons for fifteen years?

A To the best of my knowledge it was, yes.

MR. STEVENSON: Thank you.

MR. CRUMP: Thank you very much, that completes the questions for today, Mr. Godin, and thank you for coming, you may step down.

(Witness retires.)

MR. STEVENSON: Mr. Anderson.

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J.B. Anderson - Stevenson Ex.

JOHN BURNS ANDERSON, sworn, examined by Mr. Stevenson:

Q Mr. Anderson, when did you join the employment of McIntyre Porcupine Mines Limited?

A In December 1967.

Q And what position did you have then?

A General manager.

Q And I understand you were the general manager from December of '67 to February of 1969?

A That is correct.

Q And in February of 1969 you became vice-president of operations, and do you continue to hold that position?

A That is correct.

Q Your previous experience was in what field?

A In the mining field.

Q What kind of mining generally?

A Metal mining.

Q I understand that you are a professional engineer and a graduate in Mining Engineering from Queen's, is that right?

A That is correct.

Q And who had been your previous employer before coming to McIntyre?

A Teck Corporation.

Q T-e-c-k?

A Yes.

Q And what line of work were they involved in?

A Mining.

Q And what was your position with them?

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J.B. Anderson - Stevenson Ex.

A Vice-President.

Q What kind of mining was the Teck Corporation undertaking?

A Gold and copper.

Q Had you had any experience in coal mining prior to joining McIntyre?

A No.

Q Now, were you involved in the planning or the promotion of the coal mining operations at Grande Cache when you started with the company?

A I was involved in the actual construction end of it at that time.

Q Were you involved in the contract negotiations?

A No, I wasn't.

Q Were you involved in the feasibility studies?

A I read all the feasibility studies when I joined McIntyre, they were all made available to me.

Q And were you involved in the decision to make a commitment to the Japanese for the fifteen year period, thirty million ton contract?

A Negotiations were underway when I joined McIntyre.

Q Were you involved in the decision to go ahead and make that contract?

A Not directly.

Q Had you studied the feasibility reports around the time that that contract was executed?

A I did.

Q And did you give opinions to your management in respect of

Q (continued) the feasibility at the time that the contract was signed?

A I did.

Q And in doing that, what reports do you recall having had available?

A I studied all the reports that were available, there were a great number of them, including Paul Weir, all the consultants' reports, all the information gathered over the years.

Q Was your superior Mr. Godin at that time?

A That is correct.

Q And who else was involved in the process of examining these feasibility studies and making recommendation in respect to the proposed contract?

A I would say Mr. Godin, Mr. Price and other company personnel.

Q Do you remember any other company personnel being involved in the presentation of information to management?

A Well, there would be Mr. Patterson in the office and I would think that would be the majority. Mr. Hulburt of course was in there at that time.

Q Now the Japanese was, at least to all intents, was signed in July or thereabouts, June or July of 1968 and that was at a \$14.00 figure, is that correct?

A I believe it was 13.90.

Q U.S.?

A That is correct.

Q And were you part of the company people who made the

3-SS-15

J.B. Anderson - Stevenson Ex.

Q (continued) decision that that price would return an adequate return on the investment?

A No, that decision was made prior to my ---

Q --- the price decision?

A Well, the final price was negotiated after that, but all the feasibility studies as far as the money required had been completed.

Q Were you satisfied that \$14.00 would make an adequate return?

A I was.

Q And were you aware of the fact that these calculations or these assumptions were made on the basis of an efficient mechanized operation?

A I was.

Q And were you cognizant of the kind of problems that might be anticipated in the coal mining field?

A Well, I considered the reserve contingency or whatever we used, was adequate but I, as I admitted before, I was not a coal miner.

Q And the expertise within the company on coal was from Mr. Price and Mr. Hulburt?

A That is correct.

Q Plus the consultants outside the company?

A That is right.

Q And was Mr. Hulburt that actually laid out the underground plans in the first instance?

A Well, I think Mr. Hulburt in conjunction with consultants, it was a joint effort.

3-SS-16

J.B. Anderson - Stevenson Ex.

Q Now, how was the decision to hire staff and miners in the United Kingdom come about, were you part of those discussions?

A No, those, that decision was made prior to my coming to McIntyre although those people were hired after I came on the job.

Q And they were hired to carry out an underground longwall operation in the first instance, is that correct?

A Mr. Cook was hired and I can't say whether he was told that there had to be a longwall operation.

Q I'm not suggesting it had to be a longwall operation, but longwall was contemplated at that point?

A That is correct.

Q And Mr. Cook was hired and I believe he was hired in late 1968, is that correct?

A That is correct.

Q Did you take part in hiring him?

A I was aware he was being hired.

Q And did he appear to have expertise in longwall mining?

A He did.

Q And were you always satisfied, during the operations, that the company could meet the fifteen year - two million tons a year commitment that they had with the Japanese?

A I was.

Q When did it occur to you that the contract quantities ordered to be reduced, or did it occur to you that the contract quantities ought to be reduced?

A Well, it occurred within one year after we started underground

3-SS-17

J.B. Anderson - Stevenson Ex.

A (continued) development that it was obvious we were falling behind.

Q And what appeared to be the cause of falling behind?

J.B. Anderson - Stevenson Ex.

A Well, there were any, any number of things involved. There was the isolation of the area, the manpower situation and the training of people. It's very hard to pinpoint any one thing but certainly -- I would say manpower would be the main item.

Q Did you have an opinion at some point that the contract ought to be renegotiated to reduce the quantity commitment?

A No, I did not.

Q Did you have any part in the recent renegotiation to reduce the commitment?

A I spent one week in Japan earlier this year, following up after Mr. Fulton and Mr. Richardson had made the proposal to the Japanese, and I stayed there for the signing of that. I was aware of the negotiations that were going on, so, prior to that.

Q Had you expressed an opinion about the desirability of reducing the term of the contract before those negotiations opened?

A Yes, I did.

Q Were you aware it was being considered before the negotiations opened?

A I was.

Q And what was your opinion?

A I agreed.

Q On what basis?

A Well, I felt that this was the only way that McIntyre could realize a fair price for its coal.

Q By being free to renegotiate every year?

J.B. Anderson - Stevenson Ex.

A That is correct.

Q And did you think it necessary to reduce the quantity commitment as well?

A I did.

Q Were you satisfied that you couldn't meet the 2 million ton requirement?

A During what period of time?

Q As of this year, when these renegotiations took place.

A Yes.

Q Even with the reserves that you knew about you were satisfied that you couldn't make the 2 million ton commitment?

A In 1973, no.

Q And what about past 1973?

A I feel we can meet our commitments

Q In what order? 2 million ton?

A 2 million ton.

Q Were you involved in the decision to close No. 5 mine?

A I was not.

Q Were you consulted before that decision was made?

A I was not.

Q Were you asked your opinion when the decision was made?

A I believe I was. I expressed my opinion.

Q Which was what?

A I agreed with it.

Q On what basis, Mr. Anderson?

A I felt that it was an economically sound move for us to make.

Q On the basis that the costs in that particular mine had got out of hand or on the basis that the overall costs were

3-GR-3

J.B. Anderson - Stevenson Ex.

Q (Continued) out of hand?

A I would say both.

Q When the contract was signed in July of 1968, you were satisfied that there were ample reserves to meet that requirement at that time?

A I was.

Q Economically?

A That's correct.

Q And you have already told me, I believe, that that would have been based primarily on your examination of studies, you didn't take any studies yourself?

A No, it was from reading the reports.

Q And you didn't have any coal background yourself?

A I did not.

Q Did you take any part in the decision to abandon the longwall mining operations?

A I did not.

Q That was before you came?

A No. No, I was with McIntyre at that time but I was not directly associated with the coal operation.

Q When did you cease being involved with the coal operations?

A In May 1971.

Q Is that when the company's operations were divided so that there was a coal division?

A That is true. The decision was taken by the company to strengthen the coal division with top experienced coal people and the Paul Weir Company were brought in for a period of time

J.B. Anderson - Stevenson Ex.

A (Continued) until Mr. Richardson joined the company.

Q Did you have any involvement in the coal operations after that change was made?

A No, I did not, other than I was aware of what was going on.

Q Were you involved in making decisions with respect to the operations of the coal division after that change was made?

A No.

Q How did you happen to become involved in any consideration at all or even be advised about the closure of No. 5?

A Because I was in the Toronto office.

Q Did the coal division report through you?

A No.

Q To whom did they report?

A To Mr. Fulton.

Q And was that the situation from October of '71?

A Well, October of '71.

Q That's when Mr. Richardson became president of McIntyre Coal Mines Limited.

A Mr. Richardson then reported to Mr. Godin.

Q Not to you?

A No.

Q And after Mr. Richardson left in '73 who did the coal division report to?

A Mr. Fulton.

Q And are you suggesting that your involvement then was from the time that you came in in December of '67 to the time when Mr. Richardson came in in October of '71?

A No, up until May '71. My involvement was, with the Paul Weir

J.B. Anderson - Stevenson Ex.

A (Continued) Company.

THE REPORTER: My involvement?

A Was up until May 1971.

Q MR. STEVENSON: The Paul Weir Company, what did they do, sort of manage the property from May until Mr. Richardson came?

A That is correct.

Q And did they report to you?

A They did not.

Q To whom did they report?

A Mr. Godin.

Q Did you see the, or examine their reports as they came through?

A I can't recall. I may have.

Q Did you have any involvement in the decision to move to strip mining?

A I did.

Q And what was that? Was it with respect to No. 8?

A That is correct.

Q And what was your involvement there?

A Well, at the time that the longwall were failing to supply the tonnage that we expected we looked around for other tonnage to replace this, because, as it had been pointed out, to switch from the longwall to room and pillar would require some months to get the extra equipment, so we inquired from the Mannix people if they would have somebody who was familiar with open pitting to come up and look over the No. 8 area, which they did, and from that a decision was made to augment the tonnage in that respect.

J.B. Anderson - Stevenson Ex.

Q And you were in favour of that decision, were you?

A I was.

Q Was there any concern at that point about the ability to continue to employ the underground miners?

A None.

Q Was that considered?

A Well, there was no question about there being any layoff of underground miners.

Q You were aware that the introduction of No. 8, the open pit or strip operation in No. 8, was a change from the original plan?

A That is correct.

Q And why was the decision made to go to No.8 rather than to start the development of numbers 1 or 3?

A Because of the time involved.

Q In order to keep your commitments satisfied? Is that right?

A That is correct.

Q Were you involved in any of the discussions or consideration of the proposals to develop No. 9 as a strip mine?

A Yes, I was - during the time the Paul Weir reports were being done.

Q When would that have been?

A That would be prior to May 1971.

Q And was this in connection with the second contract with the Japanese?

A That is correct.

Q And was it intended that No. 9 would be used to supply that second contract?

J.B. Anderson - Stevenson Ex.

A That is correct.

Q There was then no plan of using No. 9 to supply the initial 15 year contract?

A No.

Q Were you involved in any discussions in relation to the decision to bring No. 9 into supplying the 15 year contract?

A No, I was aware of it though. No, I was not in the --.

Q That decision was obviously made at least around the time of the decision to close No. 5, is that correct?

A Yes, I would say that was correct.

Q And were you aware of any cost projections as to the cost of operating the No. 9 strip?

A Yes. I saw cost projections.

Q Was there a cost estimate in the order of something like \$10 a ton?

A I saw that sheet, yes.

Q And was that estimate considered?

A It was considered as an alternate.

Q And was that a cost in excess of what the cost was then in No. 5 when it was closed?

A I can't answer that but I would say at that time in those costs would probably be included the write-off on the equipment, whereas in No. 5 costs, as shown on that sheet, had no write-offs in, so you cannot compare those two figures - if it's the sheet I'm thinking of.

Q Were you involved in any way with the negotiations with the Canadian National?

A No.

Q In connection with the second contract?

A No.

Q Did you have any contact with the Government of Alberta after coming with the company in 1967, in relation to the development of the Town?

A No, I did not.

Q Did you have any contact with the Government after coming in December of 1967 with respect to informing them in relation to the company's long term plans?

A No.

Q Have you had any direct contact with the Government in any matters relating to the McIntyre Porcupine's operations at Grande Cache?

A No, I did not.

Q At the time that you were vice-president of operations and before the coal division was separated, were any such discussions reported to you?

A Would you repeat that please?

Q During the time that you were responsible before the coal division was separated, were any discussions with the Government in relation to development of the Town or your long term contract commitment reported to you?

A I don't recall of any but they would have been reported had there been discussions.

Q So you assume that during that period of time there were none?

A That's correct.

Q During the time from December 1st, 1967, to May of 1971 who

J.B. Anderson - Stevenson Ex.

Q (Continued) was responsible for any liaison, dealings, communications with the Government of Alberta?

A Mr. Price.

Q And did Mr. Price report to you?

A He did for a period of time and then he reported to Mr. Kilbourne, who was vice-president of corporate affairs.

Q Was Mr. Kilbourne involved in the layout of the community and the engineering for the plant and things of that nature?

A No, the layout of the community was done by the Government. the layout of the plant and the engineering of the plant was, came under my jurisdiction.

Q And were you involved in the layout of the plant?

A I was.

Q Were you involved in the purchase of equipment?

A Indirectly.

Q During what period of time?

A During the construction period.

Q What years would those be?

A Construction started in February or March 1969 and continued through until the plant was in operation - 1970.

Q Do you recall being involved in a decision to purchase two different types of longwall equipment?

A I remember when the decision was made.

Q And who made that decision?

A Mr. Cook.

Q Who was then going to be the mine manager?

A That's right.

Q And on what was his recommendation based?

J.B. Anderson - Stevenson Ex.

A On his experience.

Q What did he advise with respect to the longwall equipment?

A Well, the purchase of three longwalls.

Q Why did he recommend some diversification in equipment?

A Well, Mr. Cook was a very experienced longwall engineer and, I can't tell you exactly why he did but this is his recommendation.

Q You were satisfied with it?

A I was.

Q And I gather that Fletcher-Stewart supports were bought for one operation and Dowty for the other? Is that right?

A Well, there were two Fletcher-Stewart sets bought and one Dowty, and when they were originally installed he installed one in each mine and one remained on the surface.

Q Was that equipment put out to tender?

A Yes, it was.

Q Did you ask for competitive bids from suppliers for supplying all of that equipment?

A We did.

Q And I take it it wasn't on the basis of the prices that the decision was made to put in the two different kinds of equipment?

A I think that is correct.

Q Do you recall which one was, who was the low bidder, so to speak?

A It was, I recall it was very difficult to, to actually compare the two bids, with the different equipment, but I feel, I

J.B. Anderson - Stevenson Ex.

- A (Continued) think the Fletcher & Stewart was the lower bidder.
- Q Fletcher & Stewart had been doing some work on behalf of McIntyre in England, is that right, or did they do some work on behalf of McIntyre --
- A They did some work with regard to purchasing of other material and also the hiring of personnel, they acted as our agent.
- Q Was that before or after a commitment was made to buy their equipment?
- A I think this was in, took place at the same time.
- Q In connection with the renegotiation that took place earlier this year in Japan, in which the new contract was negotiated, were you aware of some particular rate of return being predicated by the company on the coal purchase price that was then negotiated?
- A I was aware of the cost program that had been drawn up and the money that we felt would be required to make the operation economic.
- Q And was that calculated on the basis of making some recovery of the losses?
- A Yes.
- MR. STEVENSON: Those are all the questions I have, Mr. Chairman.
- MR. CRUMP: Mr. Ingle, have you any questions?
- MR. INGLE: I have no questions, Mr. Chairman.
- MR. CRUMP: Mr. Sabey?
- MR. SABEY: No questions, Mr. Chairman, thank you.
- MR. CRUMP: Mr. Patching?

J.B. Anderson - Patching Ex.

MR. PATCHING: Yes.

MR. PATCHING EXAMINES THE WITNESS:

Q Can you tell me what was the role of Mr. McCrodan during these years?

A Mr. McCrodan was my assistant. He was moved from manager of the McIntyre Porcupine Mine and appointed assistant general manager of the coal operation, and Mr. McCrodan journeyed to England and hired the personnel and then acted as sort of a liaison between the Toronto office and Mr. Cook's operation.

Q And Mr. McCrodan then was generally responsible for coal operations until Mr. Price took over that responsibility, is that correct?

A That is correct.

Q And was Mr. McCrodan involved in the selection of the longwall method and of the supports?

A No. By the time Mr. McCrodan joined the, or was transferred from the McIntyre Mine, this decision had been almost finalized.

Q The decision to use longwall and to select power supports had been made before Mr. McCrodan and Mr. Cook came with the company, is that correct?

A No, no, Mr. Cook finalized the longwall selection, and Mr. McCrodan was in on hiring Mr. Cook.

Q Mr. McCrodan was responsible for coal work first, then he was responsible for hiring Mr. Cook, and Mr. Cook finalized the selection of the equipment, is that correct?

A That is correct.

3-GR-13

J.B. Anderson - Patching Ex.

Q I see. And when Mr. Price was appointed to the coal division, then Mr. McCrodan was no longer responsible?

A That is correct.

MR. PATCHING: Yes. That's all, thanks.

MR. CRUMP: Mr. Graham, have you any questions?

MR. GRAHAM: No, I have no questions.

MR. CRUMP: I have none, Mr. Stevenson.

MR. STEVENSON: No re-examination.

MR. CRUMP: No re-examination. Thank you very much for coming, Mr. Anderson.

(Witness retires)

MR. CRUMP: It lacks a few minutes to closing time, Mr. Stevenson. Do you wish to call your next witness or leave it until 9:30 in the morning?

MR. STEVENSON: I think it would be preferable to leave it until the morning.

MR. CRUMP: Thank you, that will be satisfactory, we will adjourn until tomorrow morning at 9:30.

(The hearing adjourned at 12:52 p.m.)

